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SUBJECT: AMCHAM WHITE PAPER FOCUSES ON HUMAN RESOURCE AND
PUBLIC HEALTH ISSUES

REF: A. TAIPEI 2124

[B](#). TAIPEI 2526

[C](#). TAIPEI 2546

Summary

[1](#). (SBU) The American Chamber of Commerce in Taipei's (Amcham) 2005 White Paper focuses primarily on human resources and public health. It urges steps that would enable firms operating in Taiwan to hire more foreign employees, including PRC nationals - both to relieve manpower shortages and internationalize the workforce. Health-related recommendations address intellectual property concerns and barriers that limit market access for U.S. pharmaceuticals and medical devices. Other important issues include completing financial sector reforms, improving government procurement processes, and the establishment of the National Communications Commission that would act as a regulator for telecommunications and broadcasting. Amcham's White Paper priorities have changed little over the past three years, reflecting the Taiwan government's difficulty in managing cross-Strait issues and in dealing with some of the challenges facing its maturing economy. If progress doesn't improve soon, it risks falling behind its competitors in the region. End summary.

[2](#). (U) The American Chamber of Commerce in Taipei released its 2005 Taiwan White Paper on May 31 with advice for Taiwan's government on improving the island's business climate. This year's White Paper had two main focuses - human resources and public health. Among the paper's seven overall recommendations, eliminating government restrictions on hiring decisions moved to the top of the list, followed by improving Taiwan's public health and healthcare environment. Tightening intellectual property protection was the third item. This year the paper highlights the importance of intellectual property protection to public health due to the dangers posed by counterfeit drugs and agro-chemicals.

[3](#). (U) The other overall recommendations are insisting on world-class infrastructure, building on economic synergies with China, completing financial reforms, and strengthening the attack on corruption. The seven recommendations are identical to the 2004 White Paper recommendations although human resources moved up the list to replace cross-Strait issues as the top priority. They also include all six of the recommendations made in the 2003 White Paper. The 2005 White Paper reports that five of the 69 priority issues identified in the 2004 White Paper have been resolved. Thirty-seven priority issues from 2004 have been carried over to the 2005 White Paper, and 32 new issues have been added.

Human Resources - Internationalization

[4](#). (U) Many of the human resources-related recommendations in the 2005 White Paper would enable firms operating in Taiwan to hire more foreign employees, including PRC nationals - both to relieve manpower shortages and internationalize the workforce. The paper urges the government to eliminate the two-year work experience requirement for work permit applications and to allow companies to pay foreign interns. Amcham also urges the government to convene a high-level interagency meeting to work out policies to facilitate hiring of PRC technical personnel. In addition, it recommends several measures to expedite short-term visits by PRC nationals working for multinational companies and the establishment of direct transportation links.

Health - IP Protection and Market Access

15. (U) Amcham's health-related recommendations address intellectual property concerns or barriers that limit market access for U.S. pharmaceuticals and medical devices. All of the priority issues identified by Amcham's Agro-chemical Committee are intellectual property concerns, such as trademark infringement and the smuggling of patent-protected products. Amcham highlights the health risk posed by counterfeit agro-chemicals. The Pharmaceuticals Committee also offers three industry requests related to intellectual property, including more resources for the surveillance and investigation of counterfeit drug sales as well as stronger sanctions for violators.

16. (U) Most of the remaining health-related issues concern the registration and approval processes for drugs and medical devices or problems in the national health system that discourage the purchase of U.S. medical products, including innovative pharmaceuticals. Approval and registration problems include plant inspection requirements for pharmaceutical manufacturers and the ability of the Department of Health to efficiently process registration applications for medical devices. Concerns about the national health system are centered on the Bureau of National Health Insurance's implementation of the "global budget" system, which seeks to limit hospital spending, but has had the perverse effect of encouraging hospitals and clinics to seek additional resources by demanding steep discounts from medical supply and pharmaceutical companies, creating a bias towards prescribing generic drugs, and encourages the practice of reusing single-use medical devices.

Other Issues

17. (U) The Banking, Capital Markets and Insurance Committees together name 14 priority issues for Taiwan's financial sector. Many identify very specific problems in Taiwan's regulatory regime. However, some of the recommendations ask for broader changes, reflecting the continuing need for substantial reform. These include passage of the draft Unified Reorganization and Bankruptcies Law, which would help create an effective mechanism for identifying insolvent companies that can be successfully reorganized; passage of a Finance Company Law to allow non-bank lenders to take a more active role in Taiwan's financial markets; and allocation of funds for the Financial Reconstruction Fund and other measures to address non-performing loan issues. (Note: Ref C reports on the May 31 passage of legislation allocating funds to the FRF, though only 10 percent of what had been requested, to resolve nonperforming loan issues. End note.)

18. (U) Regarding Taiwan's infrastructure, Amcham's 2005 recommendations focus on government procurement. The Infrastructure Committee asks Taiwan unilaterally to agree to abide by the conditions of the WTO's Government Procurement Agreement. It also asks Taiwan to revise its standard procurement contract to follow international standards that would encourage more foreign participation in government tenders. (Note: Ref B reports on complaints by Taiwan officials that the White Paper did not recognize some steps that Taiwan took in 2004. End Note.) In addition, both the Infrastructure and Chemical Manufacturers Committee offer recommendations related to Taiwan's power system, asking for enhanced energy security through increased emphasis on coal and capital investment that would produce a more reliable supply system.

19. (U) The Chemical Manufacturers and Environmental Protection Committees both recommended revision of the Soil and Groundwater Pollution Remediation Act, identifying the assessment system and fees for environmental clean up as problems with the current Act. In addition, both committees requested that Taiwan improve its emergency response system for chemical accidents. The Environmental Protection Committee also asked the Taiwan government to develop a clear and long-term strategy for complying with the Kyoto Protocol for greenhouse gases.

110. (U) Other important recommendations include two Telecommunications Committee requests. It asks that Taiwan complete the establishment of the National Communications Commission that would act as a regulator for telecommunications and broadcasting and that Taiwan finish the privatization of Chunghwa Telecommunications, the island's dominant telecommunications service provider. The Transportation Committee offered several specific recommendations for Taiwan's Customs procedures as well as measures to improve the ability of express delivery firms to make local deliveries. The Committee also recommended that Taiwan follow international standards for compensation in cases of flight delay due to forces beyond the control of air carriers (reported ref A). Finally, Amcham's new Education Committee identified several barriers that inhibit the ability of foreign firms to compete in Taiwan's

market for private education.

Comment - A C-minus Student

11. (SBU) If the 2005 White Paper were a report card, former honor student Taiwan would be falling behind most of its class. The fact that Amcham's overall recommendations have barely changed in the last three years is symptomatic of the Taiwan government's difficulty in dealing with the new challenges facing its maturing economy and the unique problems caused by cross-Strait tensions. The few bright spots like progress on intellectual property protection are sadly overshadowed. Many of Amcham's recommendations, especially in human resources, would help the Taiwan government achieve some of its own economic goals, such as developing Taiwan as a regional operations and logistical hub. If the Taiwan government does not increase the pace of progress on these issues it risks falling behind its competitors in the region. AIT/T will continue working with Amcham and the Taiwan government to address these important issues. End comment.

12. (U) The 2005 White Paper can be downloaded at www.amcham.com.tw/publication/wp.php.
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